

Press release

Contact: Isabel Box
Title: Marketing & Communications Manager
Tel: +32 (0)2 302 25 51
Mobile: +32 (0)485 31 79 63
Email: ibox@deloitte.com

Belgian start- and scale-ups fell significantly short of expected growth in 2022, lower/delayed signings the biggest bottleneck

The fourth and latest edition of Deloitte's Scale-Ups Confidence Survey, this year in collaboration with the Flemish investment company PMV, shows that after a post-pandemic confidence boost from 6.9/10 to 8.4/10, scale-ups reported a drop in confidence levels to 7.9/10 in March 2023.

Brussels, Belgium – 29 March 2023

In a tumultuous year marked by war and its knock-on effect on inflation and soaring energy prices, the number of scale-ups being 'somewhat concerned' has tripled since 2021. In fact, the companies surveyed achieved only 60% of their expected growth in 2022. The most pressing bottleneck has been lower or delayed business and customer signings, surpassing talent acquisition as the top challenge in 2022. Nonetheless, over 70% remain (highly) confident that they can sustain or even accelerate their growth trajectory in 2023 by seeking new customer acquisition, expanding into new markets and establishing partnerships.

Between mid- February and mid-March 2023, Deloitte asked start- and scale-ups (hereafter referred to as "scale-ups") in Belgium and the Netherlands about their growth trajectories, challenges, areas of focus, confidence levels and future goals. Despite a 5 percentage point drop in confidence levels following a significant post-pandemic boost, 4 out of 5 companies remain 'highly confident' or 'confident' about their business' growth trajectory in 2023. The most confident segments are FinTech & Services, . This confidence is reflected in a 2023 average revenue goal of 129%, up 5ppt from last year's expected growth and up 60ppt from last year's achieved growth.

Revenue growth falls to 60% of anticipated levels in 2022

While scale-ups across all sectors anticipated an optimistic revenue growth of 124% in 2022, the actual average revenue growth stood at 70%. However, some sectors managed to perform better than others, with Sustainability scale-ups recording the highest average revenue growth at 136%, followed by Electronics scale-ups (89%). Looking ahead, Mobility and Sustainability sectors are poised to experience the highest average growth rates, with projected estimates of 342% and 289%, respectively.

Roald Borré, Portfolio Management Director PMV: *"It is not surprising to see scale-ups in Sustainability, Electronics and Fintech expanding the fastest. We are still facing a shortage of semiconductors, affecting production across all industries around the world. Meanwhile, with the EU ban on new fossil fuel car sales coming into effect in 2035, manufacturers and scale-ups are actively investing into sustainable solutions of today and tomorrow."*

Koen Vandaele, Managing Partner Ecosystems & Alliances Deloitte Belgium: *"Despite the initial optimism for high revenue growth the reality was sobering, as the actual growth rate remained 54ppt below expectations. The survey conducted over the years has consistently shown that the realised growth rate for scale-ups has been lower than envisioned and is hit heavily when faced with important socio-economic events. The effects of the pandemic and war posed a great challenge to these businesses, but they have shown to be incredibly resilient and agile nonetheless. Many sectors remain confident and expect to speed up their growth trajectory once again in 2023."*

Delayed business and customer signings are main bottleneck

In 2022, the biggest challenge faced by scale-ups in the Netherlands and Belgium was lower or delayed business and customer signings, as identified by 52% of respondents, which is a significant increase from the previous year's 43%, but down from 66% in 2020. Finding the right talent was the second most pressing concern, which had taken the first place in 2021, with 39% of respondents considering it this year once again a crucial factor for scaling up. This is followed by cash flow (33%), which increased by 12ppt compared to 2021, operational challenges (24%) and supply chain problems (21%). While loss or delay of existing business ranked second (35%) in 2020, this has dropped below the top five at 20% in this year's survey.

Due to the events of last year and more recent turmoil in the financial sector, a variety of new challenges were mentioned by scale-ups: 16% identified inflation as one of their biggest pain points. Other exacerbated challenges that may hinder growth, such as energy prices, regulatory changes and sustainability, received limited acknowledgement from respondents.

The talent war persists

In 2022, scale-ups increased their total full-time equivalents (FTEs) by 29% whereas they indicated in last year's survey they had expected a growth of 39%. However, for 2023, 22% of scale-ups are bracing themselves for a hiring freeze, no growth in headcount, or even a reduction in staff numbers. This is predominantly visible in the Mobility sector, which has been severely affected by the pandemic and supply chain disruptions, despite their expected revenue growth in 2023. Nevertheless, 78% of scale-ups are expecting an increase in headcount, with the Life Sciences & Healthcare and Sustainability sectors leading the charge. The rising demand for healthcare and sustainable products and services is a significant driver behind this trend.

The talent war persists, with 71% of respondents indicating a scarcity of qualified candidates. This has led to higher salary expectations, making it the second-most significant challenge faced by 48% of respondents. Furthermore, 22% of respondents struggle with a lack of recruitment expertise or capacity, which indicates that some scale-ups may need to enhance their recruitment strategies or invest in resources to help with hiring.

Bart de Vries, Partner Deloitte Netherlands: *"Similar to 2021, the scarcity in talent for specific roles and candidate expectations are seen as the biggest talent hurdles for the majority of scale-ups. Interesting to note is that 7% of respondents commented on a limited diversity in their talent pool, a topic that did not come up in last year's survey. Talent leaders of today are paying closer attention to diversity and inclusion within the workforce, opening up to newcomer talent pools and rethinking their overall recruiting strategies."*

2023: Customer acquisitions and accessing new markets

In 2023, the top priorities for scale-ups to achieve their growth aspirations remain focused on customer acquisition (82%), followed by new market entry (41%), partnerships/resellers (40%), upselling (37%) and product diversification and development (36%).

4 out of 10 scale-ups plan to expand their operations geographically. Among these, 30% of scale-ups intend to expand their business in Europe, with North America being the preferred destination outside of Europe. Belgian companies continue to look first to expand in the Netherlands, whilst Dutch companies look at UK first. Scale-ups looking to expand to the East remain a minority.

Funding has become more of a concern, along with depressed valuations

72% of scale-ups are seeking additional funding, primarily in the range of 1 to 3 million euros. The most sought-after funding sources are new equity funding from new investors (52%), government grants and subsidies (46%), and additional equity funding from existing shareholders (35%). Overall, scale-ups are confident that they will receive the required funding, especially in the Life Sciences & Healthcare, Electronics and Mobility sectors. However, a quarter of scale-ups in the Media & Entertainment sector express concern about their ability to secure funding.

62% of scale-ups say their company valuation was negatively impacted by the current economic climate. Reduced valuation can have significant implications for scale-ups, including reduced access to capital, increased difficulty in attracting investors, and a potential decline in overall business performance. This trend is seen across most segments in 2022.

Investment priorities in 2023 are shifting towards enhancing product offerings and improving the user experience. 83% are investing into new product features, and a third of scale-ups into their cloud and data management. Digitalisation and technological investments will remain at the top of the agenda of Dutch and Belgian scale-ups in the year to come.

Impact of SVB

50 scale-ups participated after the collapse of SVB. No impact is noted, since these participants' confidence levels are similar to those having participated before SVB.

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About the survey

Deloitte surveyed 279 scale-ups for the 2023 Scale-Up Confidence Survey, with 214 from Belgium and 65 from the Netherlands.

Around 80% of respondents held the position of CEO or co-founder in their respective organisations, and the majority of scale-ups operated within a B2B context. Businesses represented various segments, with Enterprise Software, Life Sciences & Healthcare and FinTech being in the top 3.

Most of the respondents worked in organizations that had a workforce of 10-50 full-time employees and generated revenues more than 1mln euros.

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